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THE COMMERCIAL POLICY OF EUROPE.

WHEN Central Europe shall be united — and it will be so some day — the interest of all will be evident ; France backed by Germany will face England, which is the spirit of commerce, and will force her back into the ocean ; Germany supported by France will confront Russia, which is the spirit of conquest, and will drive her back into Asia.

The half-century which has elapsed since Victor Hugo wrote these words has apparently not developed any tendency toward a fulfilment of the prophecy. England still leads the nations in commerce and industry, and the relations of France and Germany to each other and to Russia are diametrically opposite to those predicted. All eyes are upon the war cloud which hangs over Central Europe, and meanwhile little attention is paid to a more real danger which impends from across the seas. The steel rail and the iron freight-steamer, rather than the repeating-rifle and the armored cruiser, constitute the real menace to Europe's permanent prosperity. She is threatened, not so much by war, as by starvation in the midst of plenty. Commerce has ruined agriculture, and now Western Europe, as she turns from the field to the factory, finds the great markets of the world closed to her products. She sees the United States, Russia, Canada and Australia refusing a fair exchange of goods.

The momentous changes in commerce since our Civil War have not been duly appreciated by us ; for they have brought peace and plenty to our land, while the burden has been cast upon Europe. Of course the destructive competition of the American, Russian, Indian and Australian wheatfields is well known and has been much discussed ; but these changes in the past promise to be more than equalled in the future. New lines of commercial enterprise are constantly developing. The frozen-meat trade of Australia was almost unknown ten years ago ; but 17,000 carcasses of mutton were shipped in 1881,

while 3,300,000 were sent to Europe last year. Steamers are arriving in Europe laden with hundreds of tons of butter. Lumber is landed at Hamburg and Marseilles from Canada cheaper than any forests of Europe can furnish it. American oils are supplanting the oils of Italy and Spain. Southern Africa already sends many pears, grapes and peaches. Shipments of apples from Australasia have increased in ten years from 10,000 to 490,000 cases annually. Spanish oranges are displaced by the Florida fruits. Shipments of raisins from California, but 780 pounds in 1873, amounted in 1891 to 18,801 tons, and 15,502 tons of citrus fruits were exported at the same time. A total of 7239 car-loads of dried and green fruits were in that year put upon the market from California alone. Even the market gardens of Europe will be threatened. A project is now on foot by which vegetables, shipped in refrigerators, can in three weeks be landed in Europe. And all this before the completion of the direct water route across Central America, which before many years must become a mighty factor in international trade.

All these changes are due to permanent and natural causes; they mean cheaper and better foods, and the people of Europe may adapt themselves to the new conditions. But in order to share in these new-found blessings they must be able to give something for them. If the agriculture of Europe is ruined, she must develop the peculiar aptitudes of her people in manufacturing industry. The first impulse is to keep out the cheap foods; the second is to accept the inevitable and try to find something else to produce. In Germany the agricultural protective movement—the policy of exclusion—reached its climax in 1887; the new treaties of 1892 mark the adoption of the second policy—that of conciliation. Germany has now reached that stage of development when a foreign market is absolutely necessary to her prosperity. Chancellor von Caprivi in his great speech declared: “We must export either goods or men.” France, set back half a generation by the disasters of 1870, has not yet reached this second stage, but is still following the path of exclusion, in the vain attempt to protect her farmers.

The two years which have elapsed since the passage of the

McKinley tariff have been a transitional period, during which nearly every civilized country of the globe has remodelled its tariff. Canada adopted the protective system as early as 1879, Australia followed a decade later, the United States re-affirmed the principle in 1890 and Russia has done the same during the last year. Here, then, are the four great agricultural nations of the world uniting in a policy of commercial restriction. Frederick List, the great German protectionist, delighted to speak of Central Europe as a common market, which, like a great cask, was tapped on every side. To-day the process seems to be reversed. Germany appears as a great reservoir into which all the new lands of the earth are pouring their products, and which the iron bands of Bismarck's protection were designed to keep from bursting. But the necessity of a change has become apparent, and the crisis has been precipitated by the recent conjuncture of events. The political collapse of Prince Bismarck is perhaps the most impressive evidence of the complete revolution in policy which has taken place.

The 1st of February, 1892, was the date on which nearly all the commercial treaties of continental nations were to expire, and over a year before that time the various countries of Europe began to prepare for the rearrangement which it was seen must follow. Little Switzerland, preëminently an importing nation, prudently took time by the forelock and increased her duties on imports, with the express purpose of placing herself in a position to demand concessions from her powerful neighbors in return for favors granted; France, Spain and Portugal were in the throes of tariff discussion early in 1891; and Sweden and Norway stood ready to accept thankfully any favors which might come their way. The rearrangement which followed was largely influenced by a series of events all tending to the same result — a restriction of the foreign demand. The Argentine collapse, the Chilian revolution, the reciprocity agreements of the United States and the "Pan-American" policy of our present administration, following upon the McKinley act, all threatened Europe with a further limitation of its foreign markets; and finally the failure of the crops in 1891 brought matters to a focus. The net

result of all the negotiations and debates is as follows : Six distinctly prohibitive tariffs have been adopted. A half-dozen commercial treaties have been concluded, involving a net decrease in rates in four cases and modifications in the other two. France is involved in a tariff war with Spain, Italy, Rumania and Portugal. Spain is threatened with a tariff war with Germany, and Russian trade with the Teutonic nations is greatly embarrassed.

From this it appears that Europe is divided against itself. Two diametrically opposed policies are distinguishable. On the one side we see France, Russia, Spain, Portugal and Rumania, enacting new tariff laws which are intended to prevent foreign imports ; opposed to them we see Germany, Austria, Italy, Belgium, Switzerland, Servia and Turkey forming a commercial league, not in any sense on a free-trade basis, but recognizing the necessity of commercial intercourse between nations. The principle of one group is well indicated by a passage in Bismarck's speech on the 2d of May, 1879 :

Even England will have a protective system in a few years. Trade between nations is to the advantage of one party over another, and so can never lead to friendly political relations.

Chancellor von Caprivi voiced the principle of the second group in his speech of December 10, 1891, on presenting the Austro-Hungarian treaty for ratification :

Shall we imitate the tendency which prevails in Russia, America and France, and continue to isolate ourselves, or shall we go still further and completely shut ourselves off from the world? The consequence of such a fatal step would be a war of all against all. Even if we were willing to continue under our existing system, the continual struggle for existence would undoubtedly force Germany to give up one industry after another.

These two opposite policies are but attempts to solve the problem presented by the commercial attitude of the United States, the Australian colonies, Canada and Russia. The one group seeks to protect national interests on the lines of national isolation, and in five states this policy has been advocated by majorities of from two-thirds to three-fifths of the legis-

lative bodies; the other realizes the inadequacy of national markets to support national industries, which have been developed, perhaps, during a primary period of exclusion, and seeks to extend these markets by mutual concessions. While in both groups the principle of protecting home industry is dominant, the methods of obtaining such protection are fundamentally different, and in themselves foretell future changes of policy. It is the purpose of this paper to trace the effects of the two contrasting methods, and to discover what the possible outcome may be, with its influence upon the trade of the United States.

Germany.

In order to appreciate the importance of the new treaties to Germany, a historical sketch of her tariff legislation is necessary.¹ The main importance of these treaties is found in the reduction of the duties upon food stuffs, and those we shall consider first. In 1818 the Prussian duty upon wheat was forty-four pfennigs per 100 kilos, and it remained about constant until 1865-70, the free-trade era, when all the duties were practically removed. After our Civil War, with the enormous increase of the world's wheat production, the landed interests demanded protection and found their champion in Prince Bismarck. His avowed aim was to rescue the agricultural interests in particular, while granting some measure of protection to the manufacturing industries. His professed views changed completely from those he held in 1869, when he advocated a tariff for revenue only, on objects whose consumption was optional, not necessary. Between 1875 and 1879 he became convinced that it was in the power of government to alleviate the general distress. He had for a long time been in sympathy with Delbrück's free-trade views, but with the retirement of the latter from the cabinet he mapped out a new course of action. His plan was to lay duties upon raw materials and half-manufactured goods for a time, to

¹ An admirable account of this legislation appeared in the *Yale Review* for June, 1892. Since, however, the present article was prepared prior to the appearance of that paper, the sketch is retained for the sake of continuity.

tide over the temporary depression. Consequently in 1879 the tax on grains was doubled, that on wheat, for instance, being raised to one mark per 100 kilos. By 1885, Bismarck seems to have come to regard the tariff as a permanent institution, and under his leadership the then existing rate on wheat was trebled and that on rye doubled. In 1887 these rates were again nearly doubled, being raised to five marks per 100 kilos for wheat, and on other grains in the same proportion.

Financially this increase of duties has been very successful. Imports of grain have regularly increased in amount. Yielding eight per cent of the total import revenue in 1880, they produced 27.4 per cent of it in 1889. As early as 1885 the corn duties became fourth in importance, and in 1888 they rose to the first place. In the first protective period, from 1879 to 1885, the imports of grain exceeded the exports by 1,900,000 tons, while in the second period, 1888 to 1890, the excess rose to 2,530,000 tons. It is interesting to note here that the United States gained no advantage from this increase; our shipments of grain to Germany actually decreased from an average of 81,450 tons for the years 1880-82 to 29,000 tons in 1888-90. This decrease was due largely to increased Russian and Austrian supplies. The net importation of grain from Russia rose between 1879 and 1890 from 40.9 per cent to 53 per cent of the total; while the Austrian imports meanwhile fell off relatively from 30.5 to 26 per cent. These figures well show the increasing importance of the Russian, as compared with both the Austrian and the American products.

The imposition of these duties has not, indeed, prevented a fall in the price of wheat, which in 1880-90 was lower than from 1850 to 1870, and far below prices between 1870 and 1880; but the true effect of the duties is most clearly seen by a comparison of prices with those in other countries. England paid fifty-two marks per ton more for wheat than did Prussia in 1870-80; three marks more in 1881-85; bought it nine marks cheaper in 1886, thirty-two marks cheaper in 1889 and forty-four marks cheaper in 1890. The comparative rise of price has not always been equal to the tax, but that it has been considerable is

evident. This, however, would not be inconsistent with Bismarck's theory, since he repeatedly affirmed in 1879 and in 1885 that a low price of grain was neither a sign of prosperity nor an aid thereto. Along with these corn duties since 1879, the protective system has been largely extended to manufacturing industries, as in 1885, when duties on cottons, woollens and machinery were imposed. The customs receipts have doubled since 1878, and the tax per capita has increased from 2.62 marks in that year to 6.14 marks in 1888-89.

What, now, has been the effect of these taxes upon the several industries? As far as any benefit to agriculture is concerned, all authorities agree that the result has been worse than useless, Rents have neither been raised nor even kept constant; mortgage indebtedness has not decreased; domestic grains are confessedly inferior to those imported; there has been no appreciable increase of acreage under cultivation; while, as above noted, imports have continued to increase enormously, and even the slight current of exports from West Prussia has been turned back again. An irrefutable proof of the failure of this policy is offered in Chancellor von Caprivi's speech of December 10, 1891. "German agriculture," he declared, "is in a most unprosperous condition. It is undoubtedly true that these high protective duties have not done for the farmer what was expected of them. Nevertheless," he added, "without these protective duties, we should have had to face an agricultural crisis." The corn laws, then, have been useful as a temporary expedient to mitigate the hardship of a transition period; this much must be acknowledged by all.

With regard to manufacturing industry the case appears to be quite otherwise. Here the limitations upon the expansion of production are less rigid, depending rather upon personal aptitudes than upon inherent and unchangeable qualities of the soil. The result here has been to realize expectations more fully. Germany has enormously extended her trade with the United States, with South America and with Australia, and has proved a formidable competitor to England. A comparison of India's trade in 1888-89 with that in 1890-91 shows as to imports a

trifling decline from England, with a seven-fold increase from Germany, and as to exports, a decrease of eleven per cent to the United Kingdom, with an increase of two hundred per cent to Germany.¹ In 1880-88 Germany's share in the total importations into the United States rose from 7.87 per cent to 10.83 per cent; France in the same period decreased in importance slightly, and England's contribution fell from 31.51 per cent to 24.57 per cent.² Within the last decade Germany's total exports have more than doubled. In Spain her imitations of American goods are very popular; her trade with Central and South America is everywhere conspicuous; and it is the extension of her commerce in the East which has in large part induced the "Greater Britain" movement. We may conclude, in short, that in this respect the protective system has been useful in developing German industry and has made of her one of the great manufacturing nations of Europe, second to England alone.

But recently this progress has been checked. By the closing of Russian markets German trade declined in that direction from 228,000,000 marks in 1880 to 131,000,000 marks in 1887; and by the tariff of 1890 the United States, which during the preceding decade had absorbed nearly fifty per cent of Germany's enormous increase in exportation, closed this channel to further development. The result of the situation thus produced was the commercial treaties of 1892. The administration began to negotiate them early in 1891, but decided to postpone their ratification until the attitude of France should be revealed. The marked tendency of the French legislature towards a policy of exclusion seems to have been the final event which determined the policy of the empire.

The salient features of these new treaties may be summarized as follows: First, the duties established are declared unchangeable for twelve years, insuring stability of conditions for that time at least. Second, the maximum tariff upon wheat and rye is reduced from five to three and one-half marks per 100 kilos. This provision recognizes the futility of former high grain

¹ London *Daily News*, June 1, 1892.

² Cf. *Jahrbücher für Nationalökonomie und Statistik*, Sept., 1892, p. 429.

duties and the necessity of cheap food for a manufacturing nation ; and it manifests a reaction from Bismarck's policy of special legislation in favor of the large landed proprietors. Third, with no great reduction of duties upon manufactured goods, there is evinced an earnest desire to extend the markets for German exports ; and consequently a market for her food stuffs is offered to Austria-Hungary in return for a partial preference given to German manufactures. Fourth, there is manifested a spirit of accommodation toward Austria-Hungary, especially in reference to the inspection of meats and produce and in the matter of railway rates. The regulations which had been used by Bismarck to discourage and in many cases to prohibit importation from Austria are replaced by a rational system of inspection and supervision, which is considered a great victory for the grazing interests of Austria. Agreements are also made in regard to copyrights, trademarks and patents, which will tend toward coöperation in enforcing the existing laws. Fifth, the treaties are not exclusive in any sense, but are open to all nations which choose to accept the conditions. Neither are they aggressive in spirit. They are essentially commercial and not political, although important political results may flow from them in the future. Finally, the treaties involve a considerable sacrifice of revenue by the governments concerned. It is estimated that the customs receipts of Germany will be diminished by about 11.2 per cent ; of which reduction about seventy-five per cent is on grain duties, six per cent on wood and vegetable products and eleven per cent on meats and dairy produce. Since it was for the interest of Germany to reduce these duties in any case, her diplomacy has achieved a distinct triumph in securing a price for the reduction. Austria's sacrifice of revenue is only about four per cent, on paper, leather, iron and glass wares ; but perhaps the benefits she derives from the treaties are proportionally small.

As to Germany's relations with other countries, it may be said that they will not be greatly affected. With France, article XI of the Treaty of Frankfort guarantees the same duties that are accorded to the most favored nation ; but the trade between the two nations must be unfavorably affected by the new French

tariff. So, too, in respect to Spain, any changes in the general conditions of German trade will be due not to the treaties, but rather to the Spanish tariff. The United States has given free entry to German sugar, and has secured in return the removal of the prohibition upon the importation of swine into Germany. The most important influence of the new American tariff was manifested in the inception of these treaties; further results will be seen in the restriction of exchange between the two countries, and in the tendency of Germany to turn to Central Europe for markets.

Austria-Hungary.

The new treaties seem to have been most warmly welcomed by Austria-Hungary; her financial sacrifice was not to be great, her agricultural interests would surely be benefited by the change, and her manufactures were not seriously menaced. Opposition seems to have come only from the anti-German forces, — the Young Czechs, the Croats and the anti-Semitic representatives, — and their filibustering was to no purpose. The new regulations brought too great benefits to the grazing interests, especially, as I have noted, in the abolition of the railway discriminations and so-called sanitary measures of Prince Bismarck's régime.

The relations of Austria-Hungary to the Danubian states are of great importance in view of an European union. These states, including Turkey, are almost exclusively agricultural, although silks and woollens were formerly produced there in considerable amounts. The great obstacle in the way of commerce is the lack of internal transportation facilities, which tends to centre all trade in the seaports. Constantinople, which formerly controlled four-fifths of this trade, has now but about one-half, and Smyrna, Beirut and other Mediterranean ports are more prominent. This tendency of course has been to the advantage of England, but the extension of the railways in the future must bring Austria and Germany into a far better position. A treaty is under consideration between Austria-Hungary and Servia, to replace one that expired September 30, 1892.

Rumania, since the tariff wars of 1885-87, has been under the influence of a protectionist party, and has definitely entered upon the policy of exclusion. It is doubtful if she would agree to any commercial treaties, but the other states seem more favorably disposed to do so.

With Italy the relations of Austria-Hungary are harmonious, the only friction having been in regard to the wine duties. There was, however, no real ground of difference, as the two countries produce different qualities of wine, which are not competitors in any market.

France.

The economic movement in France is following the same lines that have been followed in Germany, and at the present time it seems to have reached that point which was reached in Germany in 1879 and the following years. The reaction from the policy of Napoleon III has been retarded by the influence of English legislation, by the natural inclination of France during this century to economic freedom, and, lastly, by the disorganization of 1870. Now, however, the competition of new lands, the strong national sentiment and the need of increased revenue have induced a change of policy. Since 1880 the duties on grain and agricultural products have been increased; on wheat, for example, from sixty centimes to three francs per quintal in 1885, and to five francs in 1887. The free-trade policy of the Second Empire was never completely realized, inasmuch as duties on manufactures were not removed along with those upon food stuffs. Accordingly the agricultural branches of industry, which since 1870 have been exposed to the keenest competition, have enjoyed the least protection. M. Méline, the protectionist leader in the present Chamber, asserted that "agriculture had been protected by duties of but ten to twenty-five per cent *ad valorem*, while manufacturers enjoyed duties of from twenty-five to sixty per cent." The new French tariff of February 1, 1892, has been represented to the people as essentially an agricultural protective measure. But it is claimed by the

opposition, and with some plausibility, that the agricultural South is deluded in imagining that the new tariff will equalize this protection between industries. They assert that while the duties on food stuffs have been raised, the rates upon manufactured goods which the farmers consume have been increased in a still higher proportion. If this be true, the net result has been to leave the disparity as great as before; duties are ostensibly levelled up, but in reality, both classes of duties being increased, the advantage accrues to the manufacturing interests. In fact, but seventeen days after this tariff "for the farmer" was imposed, the Agricultural Society, numbering four thousand members, adopted a resolution declaring the new rates on food stuffs to be entirely inadequate, and a campaign has been set on foot to abolish the minimum duties altogether.

The occasion for the adoption of this new tariff policy by France was afforded by the expiration of the commercial treaties of 1880-82 with Portugal, Spain, Belgium, Sweden, Switzerland and England. A year before the date of expiration the agitation for a different system began. In March, 1891, M. Méline, as chairman of a special committee of the Chamber of Deputies, made an elaborate report, embodying a project of a new tariff. After a debate which lasted until the end of July, the bill went to the Senate, who sent it back to the Chamber with 176 amendments. Of these 148 were accepted, and the bill passed on the 30th of December by a vote of 396 to 112. The only serious difference between the two houses arose in regard to the duty on petroleum, the Chamber desiring low duties to favor Russia, while the Senate favored an increase, to be used as a lever in forcing open Russian markets to French goods. All through the debates the lower house showed a more liberal tendency than the Senate, preventing, for instance, any increase above five francs per quintal on wheat, the duty imposed in 1887, although they could not prevent a considerable increase in the duties on flour, bread and meats. In the Senate, under M. Jules Ferry, the wildest protective measures were advocated, and one orator is even said to have proved that the ravages of the phylloxera were due to the free-trade policy of Napoleon

III. It was the Chamber of Deputies alone which prevented such extravagance from appearing in the bill as it was finally passed. This was done by the concurrence of the farmers of the North and the agricultural interests of the South, without which the bill could not have reached a successful issue. The distillers of Bordeaux and the manufacturers of Marseilles, Lyons and the South set up a very stout opposition to increased duties on raw materials, on the plea that these more than offset the increases upon manufactured goods; and both these industries were dissatisfied. The sectional spirit was conspicuous all through the debates, and many incidents might recall some debates in this country. As one orator from Bordeaux expressed it: "I look about me, and I see nothing but a tumult of passion, the eager covetousness of the North armed against the South as against an enemy."

The law as it went into effect February 1, 1892, contains two complete schedules, consisting of maximum and minimum rates respectively. The first schedule is to apply to those countries — only three or four in number — which refuse to France the advantages of the most favored nation; the minimum schedule is that for general application, and is in itself intended to be a prohibitive measure. The idea of commercial treaties is abandoned, in large part because of the uncertain nature of political majorities in France, which makes negotiation almost impossible. Duties upon grains are maintained at the high figures fixed in 1887, although it has been clearly shown that grain prices in Paris, which before 1885 averaged fifty centimes lower than in London, have since that year run from seven to eleven francs per quintal higher,¹ and that, nevertheless, during all this time imports have continued to increase from year to year. The rates upon live animals, beef and meats of all kinds are raised to a prohibitive rate, and the duty upon pork is increased from 4.50 francs per 100 kilos to fifteen and twenty francs for the respective schedules. When it is considered that France imports nearly twice as much food as she exports, and that she

¹ See article entitled "Il Caro del Grano e il Dazio," *Giornale degli Economisti*, June, 1891.

is therefore clearly unable under any circumstances to supply her own needs in this respect, the great increase of duties on food stuffs appears to be one of the most objectionable features of the law. Rates upon yarns, woollen cloth, iron manufactures, machinery and cotton cloths are largely increased, as well as the duty upon wood. The free list includes cotton, flax, hemp, jute, raw silk and hides ; but a surtax of 3.60 francs is imposed on all goods landed in Europe except Australian wool. A large increase of revenue was anticipated from the law — 327,600,000 francs by the Chamber bill and 352,000,000 francs on the bill proposed by the Senate. The first four months, however, show a great falling off in receipts, and in April, 1892, they were over 1,000,000 francs less than during the corresponding month of 1891. It is too early to draw trustworthy inferences from these figures ; all that can be said is that the large increase of revenue which was needed and expected has not yet appeared.

With this law is associated an administrative measure which seems to imitate our own act of October, 1890, in assuming that the importer is an unproductive trader. Goods are arbitrarily classed in such ways as to entail the maximum annoyance with the most burdensome duties. For example, an English mineral powder, which is packed in paste-board or tin boxes and which was formerly free of duty, is now taxed at four francs per double centner. The duty on a certain package of this powder amounted to 6.24 francs ; to this were added 7.64 francs for the box, two francs for labels and 1.78 francs on the show cards, making a total, with stamps, of seventeen francs. Duties are laid even on the trade lists and advertisements of foreign firms, in the hope of discouraging their enterprise.

The advocates of this measure seemed regardless of the fact that such prohibitive enactments might lead to retaliation by other countries. The system of maximum and minimum tariffs was adopted in the belief that it secured all the advantages of reciprocity without entailing any concessions in return. France goes to other nations demanding favors, not with a tender of concessions on her part, but with a threat of punishment in case of refusal ; and it is interesting to note the effect of this attitude

upon her neighbors. Her system came first in conflict with the equally resolute prohibitive system of the United States, and here the outcome was a nominal concession on each side. The expectation in France was that the removal of the discrimination against American pork, although duties were trebled as we have seen, would be regarded by the United States as a substantial concession, calling for considerable favors in return; but our government refused to regard the removal as more than an act of simple justice. An offer of France to reduce duties on corn and petroleum in return for concessions on wine and silks was declined, and the final arrangement, signed February 29, consisted merely in the grant by France of the minimum rates on canned meats, timber, hops, dried fruits, and a few other items, in return for a continuance of the free admission of her hides, sugar and molasses under the McKinley Act. None of these commodities figures largely in the trade between the two countries, and the arrangement has importance only for some of the French colonies.

Among the European states France's attitude of "fraternity with claws" has met with the reception which might have been expected. On January 24, 1891, the governments at Brussels, Berne, Lisbon, Madrid, The Hague and Stockholm were notified that the expiring commercial treaties would not be renewed, but that a continuance of trade and copyright regulations was desired; the Swedish government was the only one that consented to consider the two matters separately. On December 15, again, M. Ribot issued a circular note asking for the most-favored-nation treatment from these countries as a return for France's goodness in not subjecting their commerce to the maximum tariff, and graciously adding that in view of this favor France reserved the right to terminate the agreements at a year's notice. Spain answered by granting temporarily the benefit of her minimum schedule under the law promulgated January 1, 1892, which minimum was even more prohibitive in its nature than that of France. The reply of Belgium, which was coquetting with both France and Germany, was to threaten the imposition of a surtax on all French goods

which were favored by bounties, especially cotton yarns, unless France granted more reductions. Italy proposed an export bounty to countervail the special aid accorded to the production of raw silk. Switzerland granted the rates allowed to Germany, but provisionally and on condition of revision and reduction, which, however, could scarcely be expected; and the minister to France, M. Arago, wrote to the president of Switzerland:

In consequence, we must keep our hands quite free toward France, while regretting that a country with which we are bound by such ties of friendship should have thought fit to adopt an economic policy, the consequence of which can only compromise the harmony between the two nations.

Summing up the situation that has been produced by France's new policy, we find it is as follows: Germany, Austria, Russia, England, Servia and Turkey enjoy the minimum rates under previous agreements. Belgium, Switzerland and Holland have provisional arrangements which may be terminated at any time. Italy, Spain, Portugal and Rumania are subject to the maximum rates. Greece has granted a treaty by which France secures dried currants for wine, and this is the sole certain advantage derived from the new system up to date. France does, indeed, look upon Spain as her certain prey, and has hopes of favors to come from Russia. But on the other hand Austrian trade, shut off from Italian channels, must be diverted to less direct routes and so must inevitably suffer curtailment. On the whole, therefore, the policy of prohibition to imports and free trade to exports seems not to have met with hearty appreciation in Europe. It is useless, however, to expect any change of policy. The late crisis in the French ministry removed M. Guyot, the only free-trader in the cabinet, and the three new members are heartily in sympathy with the existing commercial policy.

Will the home market of France be sufficient to absorb the products of the stimulated industries? It must be remembered that at the present time her population is actually decreasing. The deaths in 1890 exceeded the births by 38,446. Hence a great extension of the home demand cannot be expected in the

near future. The United States and Russia will take but few of her products, while the food stuffs of both are necessary to her. Italy and Hungary will drive her wines from Central Europe, and California will supplant them in America. She already misses the demand of Italy for her silk goods, while still needing the raw silk with which Italy supplied her until 1888. Her market in Switzerland will be restricted by the new duties there. She cannot expect special concessions from the new *Zollverein* for her jewelry, oils, silks and small wares, since by the terms of the treaties no special favors may be granted by any member. Withal, she must continue to import meats, grains and raw materials, although the consumption of the first may be lessened. Her only resources seem to be her power over Spain, her hope in Russia and her dried currants from Greece. The most serious loss will be in Belgium and Switzerland. It surely seems that this isolation can not last — that France must ultimately reach the position held by Germany to-day; and when she does, the policy of a general European union will appear.

Spain.

In Spain, on the 27th of June, 1891, a commission of the Cortes was appointed to revise the tariff, and the schedule published on January 1, 1892, was the result. Three-fourths of the new minimum duties are higher than the maximum duties of 1882; many rates have been quadrupled, and there is no doubt as to the policy which it is intended to pursue. The duties on spirits are largely increased for revenue purposes. This involves a conflict with Germany, which supplies from one-third to one-half of Spain's total imports of spirits and which is unlikely, therefore, to agree to any treaty that does not provide for a reduction of these duties. Spain, moreover, supplies a large German demand for oils, wines, cork and iron ore, and is much interested in holding this market against the competition of Italy. It would seem to be for the advantage of both Germany and Spain to come to an agreement, and Germany fully intended to include both Spain and Portugal in her treaties. The close financial rela-

tions of Spain to England and Holland may result in some concessions to them on spirits, in which, of course, Germany must participate. With France there seems at present little probability of peaceful relations, although arrangements from month to month have been tried, pending negotiations. Spain has offered to reduce her minimum rates in return for like favors, but France has refused, feeling confident of final success in any case. The result of these complications is that Spain has had during part of this year a threefold tariff,—a general maximum schedule applied to France, a conventional schedule with England, which expired on June 30, and a minimum for all other countries, which minimum is, however, intended to be prohibitive. The ultimate outcome of Spain's policy of exclusion will probably be the same that has been predicted in the case of France.

Italy.

The situation in Italy is complicated somewhat by her financial condition, which will allow of no reduction of revenue in the revision of her customs duties. With a debt of £600,000,000, involving an annual charge of £24,000,000, it is obvious that reduction of duties must be so effected that the national income shall not be lessened. The Irredentists and Radicals have used this as an argument against the ratification of the German and Austrian treaties, which must result in strengthening the Triple Alliance, but in spite of their opposition the conditions of the treaties have been accepted. In fact, there was nothing else for Italy to do; for since her tariff war with France in 1887–88 she has been practically dependent upon the Austrian and German markets. Especially was this true in regard to her wines, and strenuous attempts were made to hold this market by making the ratification of the treaty dependent upon a reduction of the rates upon wine in Austria and Germany. This was at first refused. But when it was shown that the wines of Italy and those of the North are so different in character that they are not competitors in any market, the coarse, strong wines of Southern Italy being used for mixing with the more delicate flavored products of the North, Austria consented to reduce the rates

on new wine from ten to four marks, and on wine in casks from twenty-four to twenty marks per 100 kilos, in return for like concessions upon her manufactures; and the treaty was ratified in that form by the Italian Parliament. Italy and Switzerland have also completed an arrangement, which was signed on April 24th, whereby Switzerland admits poultry, swine, grapes and like produce at reduced rates, in return for concessions on her manufactures. It thus appears that Italy has entered into these agreements for her own commercial advantage, and not for political reasons. She is beginning to realize that the attempt to pose as a nation of the first class must have a more secure foundation than the mere form of a political alliance, and that unity of interests is a more permanent basis for peace between nations.

Belgium and Switzerland.

The interests of Belgium and Switzerland appear to favor a free-trade policy; these countries are exchangers rather than producers. But of course they are obliged to follow the policy of their powerful neighbors in many respects. Belgium has leaned toward protection since 1887, and Switzerland showed the same tendency in 1885; but it now seems probable that both will choose the alliance with Germany rather than that with France. There are political reasons of weight which tend to incline Belgium and Germany to each other. Belgium may need German aid to quell internal disorders, and Germany, on the other hand, may some day desire an easy route to Paris, without crossing the bristling frontier of France. There has been, however, some opposition to the proposed treaty from the Belgian manufacturers, who object to the arrangement by which the duties on imports from Germany are to be *ad valorem* while those on exports to her are specific, and claim, moreover, that higher specific duties on woollens are necessary. To this it is answered that Belgian imports less than she exports, and needs a market for her iron and coal. In any case she must choose between France and Germany, and the balance of interest favors the latter. The same general considerations are involved in the case of Switzerland.

Effect upon the United States.

Finally, what may we expect to be the effect of all these changes upon the trade of the United States? In any case there may result a limitation of the demand for provisions, one of our important exports. When Austria can now supply more of the German market, and France has trebled her rates upon pork, the success of our American diplomacy in behalf of the American hog seems less conspicuous than is sometimes supposed.¹ As to the demand for wheat, this will not be greatly affected in the present state of affairs. Russia was a successful competitor in Germany, but now that her wheat must pay fifty marks a ton, while that from the United States pays but thirty-five, the situation is more favorable to the latter. Nevertheless a closer union of the Danubian states with Italy, Austria and Germany may place us at a decided disadvantage in the future, unless we take care to prevent it. We may be forced to rely upon the English market, and here India, Australia and Canada will all compete with us on equal terms; and if, as France now tacitly assumes, the Spanish market is ultimately hers, there is little hope for us to extend our trade in that direction. Commissioners to teach the German people how to make corn cake are not so necessary for us as a recognition of the equities of international trade.

The real significance of the treaties we have considered lies rather in the possibilities of the future than in the present. May we not expect that the recent movement in France and Spain will run its course as it has in Germany; that all the manufacturing interests of the two nations will cry out for a larger market, just as the distillers of Bordeaux are doing to-day; that the barriers between France and Europe will be broken down, either by a war resulting in commercial agreements like article XI of the Treaty of Frankfort, or, in the absence of such an event, by those great commercial interests which are always opposed to war? Can continental Europe

¹ Exports of pork to France in July, 1891, amounted to \$221,540; in July, 1892, \$90,790. — *Handels Museum*, Sept. 29, 1892.

afford to engage in a great war while the United States and England monopolize the markets of South America and Africa? Germany and the league she has formed already realize the significance of this problem, and have insisted upon its importance in all their debates upon these treaties. They see a tendency to a fourfold partitioning of the commerce of the world: the United States trying to monopolize the Americas; England seeking to form a Greater Britain; Russia shutting herself off from the civilized nations; and China withdrawing from sympathy with Europe. They have realized the importance of combination and coöperation to secure for themselves, jointly and severally, a part in the development of trade with the new lands of the earth. France alone, of the great powers of Western Europe, is blind to their common interests; but the new treaties, in the words of Dr. Peez, the Austrian advocate of European union, "are a hand extended to France." There would be for her no real conflict with the rest of Europe. There need be no free trade among the continental nations to effect their ends; but a judicious system of mutual concessions would quickly force outer nations to grant opportunities in the great world's trade in order to preserve their European markets.

To the United States such a policy would be detrimental; but for that very reason it must be kept in mind as a possibility of the future, in order to guard against it. The idea of France and Germany going hand in hand to the people of South America, the one offering small wares, wines and silks, the other coarser fabrics, machinery and spirits, appears perhaps a little absurd. Nevertheless such can be the only permanent solution of the present problem; and if a great European war is inevitable, it may be safely predicted that this commercial alliance will be forced upon the conquered nation. Commerce and a common danger have brought stranger bed-fellows together. And when this comes to pass, will not united Europe be able to put a finger in our Pan-American pie and secure some of the plums for herself? There seems to be a suggestion of this even to-day in the message of President Heureaux to the Dominican Congress, concerning the demands of European

countries for equal advantages with those conferred upon the United States by the recent reciprocity agreement. He says :

The first nation that presented itself by means of its consul in the capital seeking such treatment was France ; afterwards followed Germany ; soon afterwards Great Britain, and last Italy ; and this government had reason to think, from the course the negotiations were taking, that the idea of combined action, in order to give unity to such claims, might not be wanting. This conclusion was strengthened by communications which our ministers in Paris and Berlin received from the ministers of foreign affairs of the governments to which they were accredited. . . . As these great powers are the same that have fixed and are able to determine the character of positive international right, it would be ridiculous on our part, a fatal oversight, because we believe ourselves to be in possession of the truth, to resist that which they may decide and are able to sanction as the principle of these times. . . . We shall bend ourselves to the expression of wills so superior and powerful, *etc., etc.*¹

Finally, may we not expect that the capital which is going from the hoards of Europe for investment, the great army of emigrants who are settling in the new lands, will bring an influence to bear to our disadvantage ? The movement for commercial union is growing in favor among the German peoples ; M. le Comte de Leusse is agitating the question in France,² and it behooves us to take note of it. The time may yet come for a realization of the hopes of the party represented by Dr. Peez, who writes : " May the day be not far distant when the cry of ' Pan-America ' may be answered by the echo ' Pan-Europa ' from this side of the ocean ! " Then we shall indeed be compelled to lower the bars ; and we ought at least to recognize the possibility of such a contingency and consider lest we proceed too far on our present course.

WILLIAM Z. RIPLEY.

¹ Despatch to the New York *Tribune*, dated May 4, 1892.

² In the *Journal des Économistes* for September, 1892, M. G. de Molinari strikingly depicts the present situation in France, and advocates, as he has so ably done before in that journal, a union of the nations of Central Europe " with France and not against her," as the only solution of her commercial problems.

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